The Olsten Forum on Human Resource Issues and Trends

New Staffing Strategies for the 90s

- Staffing Levels
- Contract/Flexible Staffing
- Alternative Scheduling

Sponsored by

THE Olsten CORPORATION

EXECUTIVE SUMMARY:
Contract Staffing: The First Option in Today's Staffing Strategies

In December 1991, The Olsten Corporation surveyed its North American panel of human resource executives, The Olsten Forum on Human Resource Issues and Trends. The survey focused on the types of staffing and scheduling strategies being implemented to meet today's business needs. The survey, covering 427 companies, reviewed two categories of staffing strategies.

Contract or flexible staffing strategies are comprised of strategic and supplemental staffing arrangements with personnel not employed by the company. Contract staffing includes the use of temporary employees, independent contractors, outsourcing, and employee leasing.

Alternative scheduling strategies are flexible arrangements for regular employees on the company's payroll. Usually, alternative staffing arrangements depart from the traditional 40-hour, five-day, "9-to-5" schedule. Various strategies covered in this survey include part-time employment, flextime, compressed workweeks, work-at-home arrangements, and job sharing.

Major findings of the survey include the following:

- Two out of five companies report being understaffed, in most cases due to budget constraints.
- Flexible staffing will be a solution for close to a third of the companies over the coming year.
- During business expansion or uncertain economic conditions, nine out of 10 companies consider contract, flexible staffing options.
- The use of temporary employees remains the most widespread form of contract staffing. More than six out of 10 companies also use independent contractors, and more than a quarter outsource business functions.
- Alternative scheduling options such as part-time and flextime are well-established in organizations. More than eight out of 10 companies use part-time employees. The greatest increase in usage is reported in work-at-home options, now prevalent at more than one out of 10 organizations.
- Alternative scheduling programs are employee-driven more than budget-driven. Their primary purpose is to serve as a retention and motivational tool.

Four powerful forces are moving companies toward flexible contract and alternative staffing strategies. First, economic and competitive pressures have resulted in downsizings in organizations throughout North America. In an early 1991 Olsten Forum survey, for example, one out of three organizations reported layoffs or hiring freezes to reduce costs.

This leads to the second current of change, the need to contain costs to maintain or enhance competitive stance. Full-time staffing is a fixed cost with additional expense of benefits. Flexible staffing helps companies transform fixed costs into variable costs.

The third force of change is the shrinking labor pool for many positions. As the economy expands in the years ahead, human resource planners are anticipating critical labor shortages. Another 1991 Olsten Forum survey found that four out of 10 companies are finding it more difficult to recruit qualified employees. Flexible work arrangements will help attract and retain qualified employees, and a flexible work force of contract and part-time human resources will provide needed staffing.

Finally, the work force is growing more diverse, with more two wage-earner families. Again, this increases the demand for more alternatives in work arrangements.

To meet these challenges, many organizations are establishing core groups of full-time employees, complemented by part-timers and networks of flexible staffing services. Most companies want to take advantage of opportunities as they arise before committing to permanent staff. Flexible and strategic staffing options as well as alternative work arrangements make these opportunities viable.

RESPONDENTS TO THIS SURVEY

A total of 427 companies responded to this survey, covering a range of sizes and industry types. The breakdown is as follows:

BY COMPANY EMPLOYEE SIZE

1-100 employees	16%
101-1,000 employees	51%
1,001-10,000 employees	26%
10,000+ employees	7%

BY ANNUAL REVENUES

Less than $50 million	31%
$50 million - $100 million	15%
$100 million - $500 million	36%
More than $500 million	18%

BY INDUSTRY GROUP

Manufacturing/construction	33%
Services *(business services, consulting, etc.)*	13%
Banking/finance	11%
Retail/wholesale	11%
Public/nonprofit *(government, education, associations, etc.)*	9%
Insurance	8%
Utilities/transportation/communication	6%
Health care	5%
Other	4%

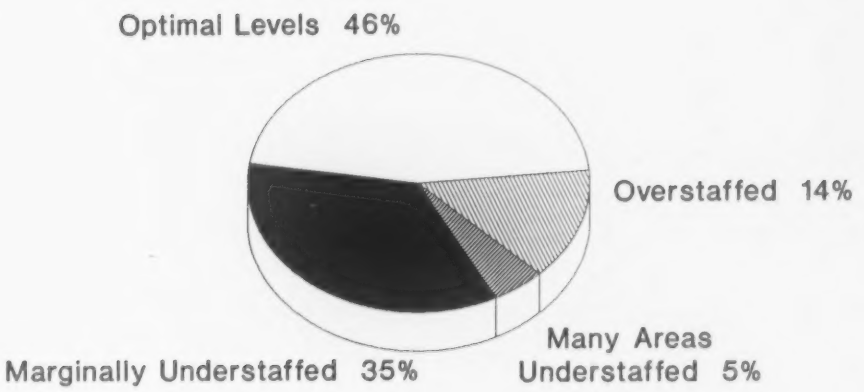
BY REGION

Northeast US *(ME, VT, NH, MA, RI, CT, NY, NJ, PA, DE, MD, DC, VA, WV)*	23%
Southeast US *(KY, TN, NC, SC, GA, FL, AL, MS)*	9%
South Central US *(TX, OK, LA, AR)*	7%
Midwest US *(OH, IN, IL, MI, WI, MN, IA, MO, ND, SD, NE, KS)*	29%
West US *(CA, OR, WA, ID, MT, WY, CO, UT, NV, AZ, NM, AK, HI)*	14%
Canada *(All Provinces)*	18%

Staffing Levels

Two out of five companies report being understaffed, in most cases due to budget constraints.

STAFFING LEVELS 1991-92



Percent of companies responding

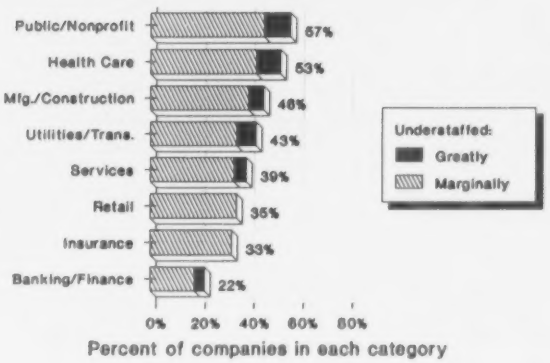
Respondents were asked how their companies' staffing levels (both regular, full-time, and contract) meet their current needs and requirements for the year ahead. Thirty-five percent of the executives report that their companies are marginally understaffed, and five percent report that many areas of their companies are understaffed. Just under half, 46 percent, say their companies are optimally staffed, while 14 percent report overstaffing.

Most companies cite economic reasons for understaffing. Eight out of 10 of those executives reporting some degree of understaffing cite "budget constraints." Another 15 percent of this group report "not enough employees with proper skills." In a few cases, respondents indicated that their companies were understaffed by design.

Regionally, 67 percent of Canadian companies report they are optimally staffed or overstaffed. The greatest extent of understaffing occurs in the south central region of the United States (at 48 percent), followed by the midwest (44 percent).

The highest levels of understaffing occur among public/nonprofit (57 percent) and health care organizations (53 percent). Banking and finance is the most highly staffed sector, with less than a quarter reporting understaffing, followed by insurance and retail organizations.

UNDERSTAFFING - BY INDUSTRY
Companies Reporting Understaffing



Flexible staffing will be a solution for close to a third of the companies over the coming year.

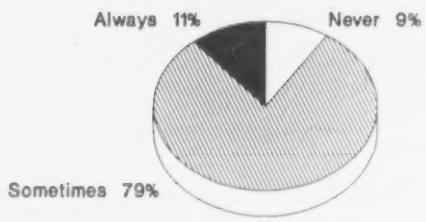
Overall, thirty percent of the companies surveyed expect to increase the use of flexible staffing (part-time, contract, and temporary help) as a human resource solution. The health care sector takes the lead with close to half (48 percent) planning to increase flexible staff. The banking/finance sector follows with 39 percent, and services with 36 percent.

"We have established productive full-time employee staffing targets that vary according to specific work load indicators," says Patricia D. Hill, Director of Human Resources for UCI Medical Center, Orange, California. "As work load goes up or down in an individual unit, staffing levels must go up and down. This requires increased utilization of alternative staffing to allow for daily variations."

"There is a definite trend toward the usage of a flexible work force," observes Linda Smith, Manager of Human Resources for Hamilton Computer Sales and Rentals, Mississauga, Ontario. "This is primarily due to an uncertain economy and resistance of employers to add permanent head count. There is also an increased need to accommodate working mothers through flextime, part-time, and job sharing."

Contract or Flexible Staffing Strategies

HOW OFTEN IS CONTRACTING CONSIDERED BEFORE HIRING PERMANENT EMPLOYEES?



Percent of companies responding

During business expansion or uncertain economic conditions, nine out of 10 companies consider contract staffing options. These options include temporary employees, independent contractors, outsourcing, and employee leasing.

Ninety percent of the companies surveyed indicate that under these conditions they consider contract, flexible staffing before hiring regular, full-time employees. More than one out of 10 do this at all times, and eight out of 10 report that they do so to a limited extent.

"While business conditions continue to be soft in our industry, using flexible methods of staffing has been helpful in containing our budget and overhead liability," says the human resource director for a northeastern semiconductor manufacturer.

"No permanent positions are to be created without long-term justification," says Charles J. Gagnon, Director of Corporate Relations for Tembec Inc., Temiscaming, Quebec. "Outsourced and contracted work permits us to accomplish various projects or to manage overload without increasing staff."

The following definitions were used in this survey for contract or flexible staffing strategies:

- **Temporary Employees (through an outside service firm):** A flexible staff for traditional and strategic staffing services assigned to a client but employed by the service firm.
- **In-house Temporary Employees:** Members of a flexible staff drawn from an in-house pool employed by the company itself.
- **Employee Leasing:** Dedicated staff (usually servicing, on a full-time basis, specific areas from individual departments to an entire company) employed by an outside service firm.
- **Outsourcing/Vendor-on-Premises:** The contracting of entire business functions or departments to outside service firms.
- **Independent Contractors:** Self-employed individuals, such as consultants, freelancers, or commissioned representatives.

All of the health care respondents to this survey consider contracting before hiring. Manufacturing/construction companies follow with 94 percent. More than nine out of 10 utilities (92 percent) and retail organizations (91 percent) use this approach.

This approach pervades in all types of organizations for several reasons. "We are a nonprofit organization. With money tight, it is often easier for us to cover the costs of temporary employees and independent contractors," says Steve Pierce, Director of Finance and Administration for Boston Food Bank, Inc., Roxbury, Massachusetts. "Given that our benefits account for almost 30 percent of our payroll, we save on this end too. Temps buy us the time we need to make a more effective hiring decision and help us through the peak seasons."

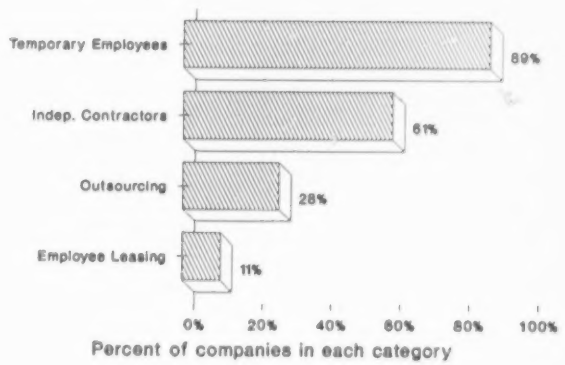
"Temporary and part-time employees have become vital in strategically managing payroll expenses," agrees Raymond L. Noas, Director of Human Resources for Financial Federal Savings & Loan in Miami Lakes, Florida.

The use of temporary employees remains the most widespread form of contract, flexible staffing. More than six out of 10 companies also use independent contractors, and more than a quarter outsource business functions.

Temporary Employees: Nine out of 10 respondents use temporary employees for strategic and supplemental flexible staffing requirements. Close to a third (29 percent) of this group report an increase in their use of these workers over the past year.

More than eight out of 10 (83 percent) use a temporary service firm and almost two-fifths (38 percent) use temporary employees from an in-house pool. Most of the companies using in-house temporaries combine their pool with staff from an outside temporary service firm. Only six percent use in-house temporaries exclusively.

FLEXIBLE STAFFING OPTIONS
Popularity of Key Staffing Resources

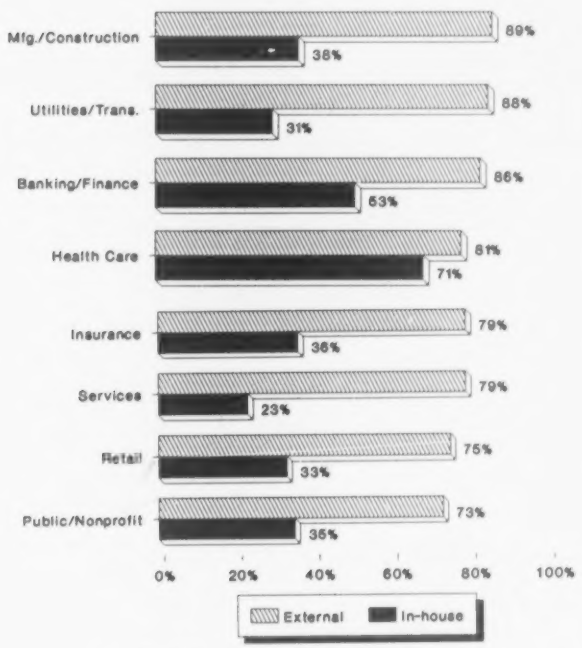


The largest segment of companies (79 percent) use temporary employees for non-exempt staff levels (covering hourly, secretarial, and clerical positions). Areas where temporary employees are used most often include administrative services (54 percent), data entry/records management (43 percent), accounting/finance (42 percent), and warehouse/shipping (24 percent).

The primary benefit gained from the use of temporary employees, as reported by 64 percent of the respondents, is the ability to cover staffing fluctuations. Sixty-two percent also report that temporary employees have assisted with special projects and events. Fifty-nine percent report using temporaries to fill in for absent employees.

Half of the companies surveyed indicate that bringing in individuals as temporaries is a way to recruit and screen them as potential employees. "We will probably consider more temp-to-perm assignments where feasible," says Marian M. Hall, Personnel Manager for Smith Container Corporation, Atlanta, Georgia. "Being able to try out new employees before adding them to payroll has allowed us to look at the person's abilities and how they will fit into our operation *before* we make a commitment."

USE OF TEMPORARY EMPLOYEES - BY INDUSTRY GROUP



Percent of companies in each category

The flexibility provided by contract staffing is a vital tool for competing in the markets of the 1990s. "To provide superior customer service, we must be postured to gear up production on very short notice," says William F. May, Director, Human Resources for Warren Industries, Inc., Racine, Wisconsin. "Our ability to do this is significantly enhanced by the capabilities of our temporary services to move on a moment's notice. Our growth is assisted and supported by the ability of our temporary services to deliver."

Independent contractors: A three-fifths majority (61 percent) of the respondents use independent contractors. Thirty-eight percent of this group reports increased usage. The largest percentage of independent contractors (46 percent) are at the professional/technical/medical level. Independent contractors are used most frequently for data processing/information systems (18 percent), training (12 percent), and accounting and finance (11 percent).

Outsourcing: Three out of 10 (28 percent) of the companies surveyed have outsourced a business function to an outside firm. More than a third (36 percent) of this group report an increase in outsourcing.

Most outsourced areas include security (nine percent), administrative services (eight percent), maintenance (eight percent), and training (eight percent).

Manufacturers are most likely to use outsourcing (33 percent), followed by the public/nonprofit sector (32 percent). Regionally, outsourcing is strongest in Canada, used by well over two-fifths (44 percent) of companies. The northeast United States follows with 32 percent of companies.

One out of 10 of the respondents are providers of outsourcing services to other companies. Three out of 10 service businesses are in the outsourcing business, along with almost a quarter of health care organizations.

Employee Leasing: Eleven percent of companies use employee leasing services. Twenty-seven percent of this group report increased usage. The largest percentage of leased staff is employed in professional, technical, or medical positions, and in the administrative services areas of companies. Canada has the strongest base for employee leasing; it is used by 23 percent of companies. This contrasts with only eight percent of U.S. companies using employee leasing.

Alternative Scheduling Strategies

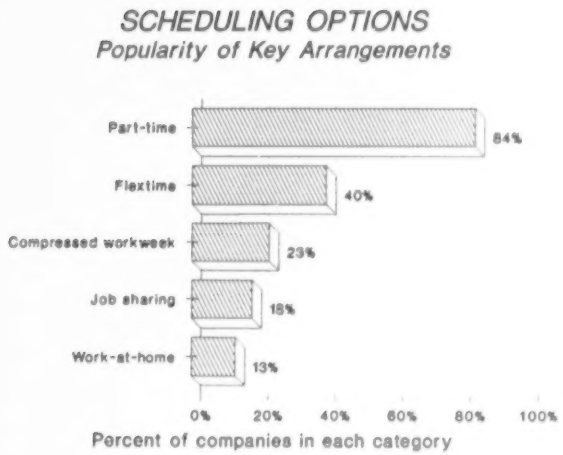
Alternative scheduling options such as part-time and flextime are well-established in organizations. More than eight out of 10 companies use part-time employees. The greatest increase in usage is reported in work-at-home options, now prevalent in more than one out of 10 organizations.

Part-time. Eighty-four percent of companies employ personnel on a part-time basis. One-third of these companies report an increase in their usage over the past year, compared with only seven percent who saw a decrease.

Part-time employment is the norm in the health care sector, with all of these organizations reporting usage of part-time employees. It is also common in banking/finance, where 98 percent of these companies report using part-time employees.

The following definitions were used in this survey for alternative scheduling strategies:

- **Part-time:** A regular employee who works less than 35 hours a week.
- **Flextime:** A system that enables employees to vary their schedules. Usually, the flexibility applies to starting and finishing times.
- **Compressed workweek:** A full-week schedule (usually 40 hours) that occurs in less than five days, such as four 10-hour days.
- **Job sharing:** Two or more employees split a full-time position, dividing up the responsibilities, and to some degree, the compensation.
- **Work-at-home:** A program that enables employees to complete work at home (or at a remote office closer to home) on a regular basis. It is often referred to as "flexplace" or "telecommuting."



Flextime. Forty percent of the companies surveyed have flextime plans. Three out of 10 report an increase in the number of employees involved in the plan, while only two percent report a decline.

"Flextime is becoming more important to workers who have childcare and eldercare concerns, and we support that," says Beth Ronan, Human Resources Manager for Clark & Reid Company, Inc., Burlington, Massachusetts.

The insurance industry leads in the use of flextime–52 percent have such plans. The public/nonprofit sector follows with 51 percent, and services with 50 percent.

Compressed workweek. Twenty-three percent of the companies surveyed have some type of altered workweek schedule. Almost four out of 10 of these companies report an increase in this type of schedule, compared with four percent reporting a decline. More than two-fifths (43 percent) of health care organizations have some type of compressed workweek plan, followed by the retail sector (28 percent).

Job sharing. Eighteen percent of the companies surveyed offer job sharing to employees. Almost two-fifths of these companies report increased usage, and none of the companies report a decrease. Health care is the leading industry for job sharing, with 38 percent of these employers using such arrangements.

Work-at-home. Work-at-home options have been adopted by 13 percent of the companies surveyed. Almost half (46 percent) of the companies with this type of arrangement report increased usage, with no declines reported. Work-at-home arrangements are most common in service businesses (20 percent) and banking/finance (18 percent).

Alternative scheduling programs are employee-driven more than budget-driven. Their primary purpose is to serve as a retention and motivational tool.

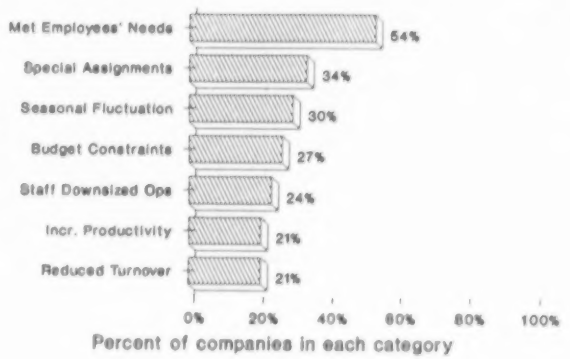
The primary benefit of implementing these alternative scheduling arrangements, as indicated by more than half of the companies, is that they accommodate employees' schedules. Most companies look to alternative scheduling to meet long-term staffing concerns.

"Our greatest staffing challenge is attracting and retaining qualified employees. We will continue developing alternative staffing strategies to assist in meeting this objective," says Scott H. Smith, Compensation Manager for Indiana State University, Terre Haute, echoing the views of many survey panelists.

Slightly over a third indicate that usage of these programs helps to provide staffing for special assignments. Other benefits include staffing for seasonal fluctuations, overcoming budget constraints, and staffing for downsized operations.

Close to four-fifths of the companies surveyed (78 percent) report that their non-exempt work force (including clerical and secretarial employees) takes advantage of alternative schedules. Two out of five (38 percent) report that professional, technical, and medical employees participate in flexible work arrangements. Only 16 percent involved supervisory employees and 12 percent involved management.

ADVANTAGES OF ALTERNATIVE SCHEDULING



Benefits. Almost half (48 percent) of the companies that employ part-timers will provide paid health insurance to these employees. The most common benefit is paid vacation time, offered by more than seven out of 10 (73 percent) of these companies, followed by participation in a retirement plan, offered by more than half (52 percent). About 55 percent of the companies offering benefits to part-time or job sharing employees say that the benefits are pro-rated.

The health care industry is most generous to part-timers, with more than half offering paid health care plans, vacation time, retirement benefits, wellness programs, and training and education.

Regionally, companies in the western United States show the greatest acceptance toward alternative scheduling, leading the rest of the United States and Canada in the use of part-time workers (88 percent), flextime (47 percent), work-at-home (22 percent), and compressed workweeks (29 percent).

THE OLSTEN CORPORATION

The Olsten Corporation, one of the leading providers of temporary personnel in North America, is celebrating 42 years of service in 1992. Serving a base of more than 125,000 client accounts, the corporation, under its trade names Olsten Temporary Services, Olsten HealthCare, and Olsten Professional Accounting Services, maintains a network of more than 700 owned, franchised, and licensed offices in all 50 states, the District of Columbia, Canada, and Puerto Rico. Together, these offices employ more than 340,000 temporary workers annually for business, industry, government, health care facilities, and home health care markets.

Many of Olsten's clients, including the vast majority of *Fortune* 1000 companies, require temporary help with specialized skills. Olsten meets these needs with nine distinct service divisions: office automation, general office services, professional accounting, light industrial, technical services, legal support, records management, marketing support, and health care.

The Olsten Corporation [AMEX: OLS] is headquartered in Westbury, New York.

THE OLSTEN FORUM ON HUMAN RESOURCE ISSUES AND TRENDS

The Olsten Forum on Human Resource Issues and Trends is a North American panel of human resource executives formed to monitor the challenges facing today's organizations. The panel consists of vice presidents and directors of human resources for companies ranging in size from *Fortune* 1000 companies to small businesses.

Topics to be covered by Olsten Forum reports in 1992 include social issues (work and family, workplace diversity); human resource recruiting, hiring, and costs; workplace literacy and training; and quality programs. The survey series is conducted for The Olsten Corporation by Joseph McKendrick of The Center for Workplace Issues & Trends. If your company is interested in participating in The Olsten Forum, contact The Olsten Forum, P.O. Box 510, Horsham, PA 19044, or your local Olsten office listed in the white pages.

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